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CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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CURRENT INTELLIGENCE WEEKLY SUMMARY

28 September 1962

THE WEEK IN BRIEF
(Information as of 1200 EDT 27 Sept)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

Although Gromyko's opening speech to the UN General Assembly contained a strong attack on US policy toward Cuba, it was relatively restrained and routine on other East-West issues. It provided no further indications regarding Soviet plans for bringing the Berlin and German questions before the UN. Bloc spokesmen, however, continued to express interest in further Berlin talks with the US.

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CUBA Page 3

Soviet propaganda continues to charge that the US is making preparations for aggression against Cuba, and declares that American efforts to round up NATO and OAS support will not succeed.

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Inside Cuba, old-line Communists who have been lying low since the "purge" of Escalante last spring may be making a comeback with Moscow's support.

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SOVIETS TO BUILD FISHING PORT IN CUBA Page 7

The USSR and Cuba plan to build a port in Havana Bay for a joint Atlantic fishing fleet. The port will benefit Soviet fishing operations by obviating the need for vessels to return to the Baltic for maintenance and repair. The move probably also presages a step-up in Soviet fishing operations in the southern areas of the North Atlantic and possibly in the Gulf of Mexico.

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USSR SUSPENDS INCOME TAX CUT Page 9

Moscow's suspension of its program for gradually abolishing income taxes is another setback for the Soviet consumer. This decision--announced on 24 September--apparently stems from a desire to restrict purchasing power, which now is out of proportion to the amount of consumer goods and services available. In an effort to justify this unpopular move, the announcement said it was necessary because of "the increasingly aggressive actions of imperialism."

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EAST GERMAN EFFORTS TO ALLEVIATE FOOD SHORTAGE Page 10

The East German regime is taking a number of steps to improve the food situation. Measures include the importation of meat, an appeal to farmers to return to raising swine and poultry on private plots, and the introduction of price incentives to stimulate collective farm production of potatoes and swine.

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SINO-SOVIET RELATIONS Page 11

Soviet president Brezhnev's visit to Yugoslavia has been attended by an upsurge of Chinese and Albanian polemics against Belgrade and Moscow.

While the Brezhnev visit is being treated as a state affair, both Moscow and Belgrade apparently intend to explore the possibility of restoring some form of party contacts.

INDUSTRIAL DIFFICULTIES CONTINUE IN COMMUNIST CHINA . . . Page 13

The decline in industrial output in Communist China apparently continued through the first half of 1962 and may not yet have reached bottom.

The slump may be an extended one. The regime has implied publicly that there is no immediate prospect for an upturn in industry and that industrial recovery may have to wait until after a recovery in agriculture.

UN SECURITY COUNCIL ELECTIONS Page 14

Elections to the UN Security Council--usually held in the General Assembly shortly after three weeks of general debate--will reflect this year the strong Afro-Asian drive for reallocation of the six elective seats. Nigeria's bid for one of the three seats up for election this year jeopardizes Norway's chances for a full two-year term in the Western European seat. Morocco will probably succeed the UAR in the Near Eastern seat, and Brazil seems assured of the Latin American vacancy. Since any proposal to enlarge the membership of the Security Council faces a Soviet veto, Afro-Asian efforts to get a seat will continue to be at the expense of Western Europe and possibly Latin America.

CONGO Page 15

Joint Leopoldville-Katanga financial and military commissions have begun their meetings in Elisabethville, but an early resolution of the issues involved is unlikely. Adoula and Tshombé, moreover, are still at odds over the new constitution being drafted by UN experts. Aside from the premier's troubles with Tshombé, there is a strong possibility that parliament would reject any new constitution or attempt to overthrow Adoula.

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YEMEN Page 16

A revolt broke out in Yemen on 27 September in the wake of the death of Imam Ahmad. The rebel group, which apparently includes pro-Nasir elements, announced on Sana radio that they had "got rid of" the new Imam, Mohammed Badr, and proclaimed a "free Yemeni republic." A countermove by conservative tribal elements who support the royal family is still possible. Such a move would have the support of King Saud, who has feared that a pro-UAR coup might occur in Yemen.

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FINLAND Page 18

Finnish President Kekkonen leaves on 3 October for a ten-day holiday in the Soviet Union. The visit, his second to the USSR within a year, is being made at the invitation of Premier Khrushchev. Kekkonen may use the opportunity to discuss with Soviet leaders the German question and Finland's desire for a link with the Common Market. On the domestic scene, the smaller parties in his Agrarian-dominated government are becoming increasingly restive, and the government faces a period of difficult wage negotiations.

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WEST BERLIN MORALE Page 19

West Berliners have calmed down since the 17-30 August riots against the Wall, but their mood remains volatile and further eruptions are possible in reaction to sensational new refugee incidents or additional Communist successes. Mayor Brandt has sought to reduce the likelihood of further trouble by taking the line that hatred of the Wall should not blind West Berliners to the more important question of the survival of West Berlin. The economy continues to operate at high levels, although there are some signs of pessimism about the future among West Berlin businessmen.

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THE FRENCH POLITICAL SCENE Page 20

De Gaulle's proposal to call a referendum to permit direct popular election of the French president has aroused general parliamentary opposition. Party leaders are weighing the desirability of a censure motion on the issue when parliament reconvenes on 2 October. Most deputies are reluctant, however, to take a public stand against the principle of an elective president, because the idea has broad public backing. In the new session, therefore, they will probably turn increasingly to other more exploitable issues, including the discontent among farmers, labor, and small shopkeepers, and the Algerian refugee problem.

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ARGENTINA Page 22

Last week's power struggle among Argentina's politically minded generals ended in victory for the "legalist" faction which supports prompt return to democratic government and a policy of moderation toward Peronists. President Guido has moved promptly to purge the "hard-line" army and navy leaders whose puppet he had been since they gained ascendancy in the August crisis. Guido's chances of avoiding a resurgence of military feuding depend on his success--in conjunction with the military leaders who support, and probably control, him--in stabilizing the situation.

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SPECIAL ARTICLES

CONTINUED NORTH VIETNAMESE PRESENCE IN LAOS Page 1

The North Vietnamese--whose troop strength in Laos was estimated in July at 9,000-10,000--are acting in concert with the Pathet Lao in effectively circumventing the provisions of the Laotian neutrality agreements on supervised withdrawal of foreign troops. Despite a few token withdrawals of technicians staged for the benefit of the International Control Commission and the covert withdrawal of some troop units, the remaining North Vietnamese forces apparently are attempting to escape detection by regrouping in inaccessible areas of Laos or concealing themselves among the Pathet Lao. The North Vietnamese control the overland route to South Vietnam through Laos and probably intend to keep open this important supply corridor to the Viet Cong.

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OIL DEVELOPMENT IN LIBYA Page 4

Oil production in Libya, which began in late 1961, is expanding rapidly. With reserves estimated at 20-40 billion barrels and the advantage of its location west of Suez, Libya could capture a sizable share of the best world markets for its oil exports. Oil company officials are apprehensive about Libya's recent adherence to the Organization of Petroleum Exporting Countries, which aims to increase revenues paid by the companies to the host governments. Libya is not likely to become embroiled with the companies in the near future, however, because it will need their marketing facilities to establish its position in the world oil market.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**WEEKLY REVIEW**SOVIET FOREIGN POLICY DEVELOPMENTS**

Although Soviet Foreign Minister Gromyko's opening speech to the UN General Assembly on 21 September contained a strong attack on US policy toward Cuba (see also next article), it was relatively restrained on all other East-West issues. Gromyko provided no further indications regarding Soviet plans for bringing the Berlin and German questions before the UN or for a personal appearance by Khrushchev. His brief and routine remarks on Berlin and a separate peace treaty suggest that Moscow is keeping the door open for later moves at the UN on these questions.

Bilateral Talks

While Soviet propaganda on Berlin and Germany was almost negligible last week, bloc spokesmen continued to express interest in further Soviet talks with the US. In a 19 September speech in Bucharest, East German party chief Ulbricht expressed approval of the bilateral talks which had taken place between the USSR and the US and said the Western powers should use the "pause" in Berlin talks to create a favorable atmosphere for new negotiations.

A Soviet lecturer told his Moscow audience on 23 September that despite the "dim prospects" for a Berlin agreement, the USSR would explore every possibility, "however slight," for reaching a peaceful settlement. Although

he repeated the standard separate peace treaty threat, he left a clear impression on his audience of the risks involved in such a move. He said the USSR preferred a negotiated settlement because of the complex situation surrounding Berlin, and he alluded several times to the possibility that events in Berlin could spark World War III.

Local Berlin Developments

Soviet propaganda characterized the recent transfer of US battle groups to West Berlin as a "demonstrative move to maintain tension in the city." During the past week, Soviet controllers at autobahn checkpoints twice delayed US convoys in an effort to press unacceptable demands on US military personnel. In both instances, the convoys were allowed to proceed after some delay.

UN Tactics

The main theme of Gromyko's speech before the UN was that US policy toward Cuba threatens to destroy the world organization. He recalled that the League of Nations failed because it was undermined by "aggressive forces," and he declared that the UN must condemn the US "policy of aggression" toward Cuba. He accused US leaders of displaying a "flippant attitude" to questions of war and peace and recalled Moscow's 11 September statement that an attack on Cuba would

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be the "beginning of the unleashing of war."

Despite this strong language on Cuba, Gromyko avoided a general assault on US "aggressive activities" and did not mention such issues as the 30 August U-2 incident, US high-altitude nuclear tests, and alleged US "spy" satellites.

Gromyko's emphasis on disarmament, colonialism, and world trade suggests that the USSR continues to believe these standard items offer the best ground for winning the support of the Afro-Asian nations in UN debate.

The sole innovation in Gromyko's disarmament presentation was an offer to meet US objections to destroying all nuclear delivery vehicles in the first stage of general disarmament. He proposed that an exception be made for a "strictly limited and agreed number" of intercontinental missiles, anti-missile missiles, and anti-aircraft missiles which would "remain at

the disposal of the USSR and the US alone." A member of the Polish delegation remarked privately to a US official that this Soviet amendment is a "hopeful note of great importance" which would give the Geneva disarmament conference something to discuss after the recess.

Gromyko also revived earlier Soviet proposals for an international trade conference which would set up a world trade organization. He coupled these remarks with an attack on the Common Market. He renewed previous schemes for diverting part of the vast funds released by general disarmament to economic development projects in the underdeveloped nations.

Gromyko also called for UN condemnation of "propaganda of preventive nuclear war" and submitted a draft resolution which included a pledge by all the nuclear powers not to be the first to use these weapons. The resolution also renewed a proposal that all states enact legislation prohibiting war propaganda in any form. 25X1

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CUBA

The Cuban port facility to be built in Havana Bay under a contract signed on 25 September by Fidel Castro and Soviet Fisheries Minister Ishkov will be the first base for Soviet fishing fleets to be set up outside the bloc. It will accommodate 130 vessels and is to contain wharves, freezing and storage facilities, repair facilities with a floating dock, oil storage tanks, a radio station, and other auxiliary facilities. In an interview televised in Havana on 26 September, Ishkov explained that construction of the base had earlier been planned for 1965, but that now it had been decided to complete the work next year. (See next article.)

Castro announced that the port will be owned and operated by Cuba and used by both Cuba and the USSR. He said the cost of construction will be met by a loan to Cuba by the USSR, and it will be built with Cuban labor using Cuban materials. He explained that the arrangement is linked to Soviet technical assistance for the development of the Cuban fishing industry. Cuba will also be compensated, he said, by additional Soviet food shipments. The agreement is thus linked to a continuing Soviet commitment to help alleviate Cuba's chronic food shortages.

Military Deliveries

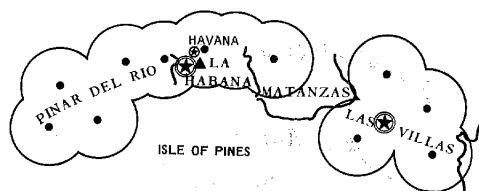
An installation on Cuba's northern coast near Santa Cruz

del Norte, previously reported as an SA-2 surface-to-air missile (SAM) site, now has been identified as an installation similar to one at Banes in Oriente Province, which is believed to be a cruise-type coastal defense missile site. This reduces the number of confirmed SAM sites to 11, and brings the number of probable coastal defense installations to two. Others of both types, although not yet identified, almost certainly have been set up.

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MISSILE ACTIVITY IN CUBA, SEPTEMBER 1962



- Confirmed surface-to-air missile (SAM) site
- Possible SAM site, exact location unknown
- ▲ Support facility for processing equipment
- ✈ Airfield with MIG aircraft
- Probable coastal defense cruise-missile site
- Effective air defense perimeter (estimated radius 20 - 25 nautical miles)

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NAUTICAL MILES

U.S.
Naval Base

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Accelerated military shipments began about mid-July. In addition to the aircraft and Komar boats, these deliveries have included some land armaments. The bulk of the ships, however, probably carried material needed for the air and coastal defense missile installations being set up in Cuba.

Soviet Propaganda

Moscow continues to charge that the US is preparing aggression against Cuba, but the volume of Soviet output on Cuba dropped considerably during the past week, and there were no belligerent threats.

Soviet Foreign Minister Gromyko in his 21 September speech to the UN General Assembly cited the TASS statement of 11 September that an attack on Cuba would be the "beginning of the unleashing of war." He warned of the "seriousness of the consequences to the cause of peace" of US policy toward Cuba. He said crude threats from "bellicose American quarters" were setting the tune, and had reduced the effect of President Kennedy's "sober pronouncements" to "absolutely nothing." Gromyko argued that since East and West now have "the same means at their disposal," issues cannot be decided "by saber-rattling or threats."

There was further evidence of Soviet concern over possible US interference with shipping to Cuba. The USSR's propaganda complained that its merchant ships are being buzzed by US

planes. In addition a Soviet note to the US protested the detention in Puerto Rico of a cargo of sugar belonging to a Soviet foreign trade organization, being shipped from Cuba in a British ship. The note demanded immediate release of the cargo and compensation for damages. Moscow Radio has also noted "feverish" US diplomatic activity with NATO and OAS partners but predicted it "will hardly succeed." 25X1

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the Cuban Government has become much more dependent on Soviet support than it was when Escalante was purged. Fidel Castro may thus be much less of a free agent in dealing with the veteran Communists, who are probably regarded by Moscow as more able and reliable than the emotional and sometimes unpredictable Castro.

Cuba's Communists

Since 26 March, when Fidel Castro dramatically denounced veteran Cuban Communist Anibal Escalante and forced him into exile, the "old Communists" have appeared at least on the surface to have adjusted to a role subordinate to Castro's leadership. "New Communists" such as Che Guevara, Emilio Aragones, and President Dorticos seemed to be in the ascendancy, and those who were Communists in the Batista era were blocked at least temporarily in their drive to dominate the regime.

In recent weeks, however, the power of Fidel Castro and his "new Communists" may have been diminishing relative to that of the veteran Communists.

The veteran Communists have retained important posts in the party and governmental bureaucracies from which they could stage a comeback. They have nine members in the 24-man National Directorate of the party machinery--the Integrated Revolutionary Organizations (ORI)--and one man, Blas Roca, in the key six-man ORI Secretariat. Of the six provincial ORI directorates, two remain under veteran Communists who escaped the post-March purges. On the governmental scene, other leading veteran Communists include Carlos Rafael Rodriguez, president of the agrarian reform institute; Lazaro Pena, boss of the labor movement; and Manuel Luzardo, minister of internal trade.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SOVIETS TO BUILD FISHING PORT IN CUBA**

The USSR and Cuba plan to build a port in Cuba for a joint Atlantic fishing fleet. Fidel Castro announced on 25 September that the Soviets will use the port under a 10-year contract and will provide credits to finance its construction.

The port will benefit Soviet fishing operations by obviating the need for vessels to return to the Baltic for maintenance and repair. The move probably also presages a stepping-up of Soviet fishing operations in the southern areas of the North Atlantic and possibly in the Gulf of Mexico.

Soviet fishing has expanded rapidly in recent years and most rapidly in the Atlantic. While the world's fish catch has doubled since 1950, that of the Soviet Union has grown two and a half times. The latter's expansion has depended almost entirely on its exploitation of resources in international waters. In 1950, the deep-sea catch was only 34 percent of the USSR's total fish catch. By 1960 this had risen to 71 percent and by 1965 is planned to be 78 percent. A steadily increasing share of this total is to come from the Atlantic--the older fishing areas off Greenland, Iceland, and Newfoundland, Jan Mayen Island and the Faroes, and the newer ones off the West and South African coast.

This rapid build-up of deep-sea fishing has been made possible through a concerted effort to modernize and expand the fleet, partly through the acquisition of modernized and refrigerated ships from Eastern Europe and the West. Extensive exploration has been carried out for new grounds, and 25 fishing-research organizations have been occupied in various oceanographic-research studies more or less applicable to fishing problems.

The efficiency of fishing operations has been enhanced by Soviet emphasis on the fish-factory ship which acts as a mother ship to fleets of trawlers processes the fish on the spot, and can stay at sea as long as two months. The USSR has built many of these factory ships, imported 24 from West Germany during the period 1954-57, and has plans to add 130 more by 1965. East Germany is to provide some 70 of them--most of which will be of the "Tropik" class, designed for tuna and sardine catching in the Central and South Atlantic. As many as 30 of these may be assigned to this area and could benefit from a Cuban port close at hand.

Cuba will profit from the announced contract through the improvement of its admittedly insignificant fishing fleet and from the Soviet payments in kind--2,000 tons of fish this year, 15,000 in 1963 and 1964. Six medium trawlers have already been sold the Cubans by the USSR, and two small ones by Poland.

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The Soviets, however, stand to gain as much if not more. Fish already is an important part of the Soviet diet, composing some 20 percent of the animal protein consumed; consumption per capita is scheduled to increase 50 percent by 1970. As a consequence of the recent 30-percent rise in retail meat prices, the Soviet regime on 4 June raised its fish catch goal for 1965 from 4.6 million metric tons to 5 million. Simultaneously a new State Committee on the Fishing Industry was formed, presumably to give impetus to the new drive and provide the necessary support for improvements in organization and technology.

At present there are some 500 fishing vessels in the North Atlantic. The operations of the Atlantic fleet now center chiefly around the Grand Banks but have been expanding southward. In addition there are now four fishing fleets in the Antarctic. The Soviets last year were testing the feasibility of using whaling catchers for fishing in the light of the diminution of the catch in Antarctic waters. Some of these ships might also be moved to the North Atlantic.

SOVIET FISHING INDUSTRY**USSR : FISH CATCH**

	SEVEN YEAR PLAN				
	1959	1960	1961	MID 1962	
MILLION METRIC TONS	3.1	3.5	3.7	2.3	4.6 (Raised to 5 on 4 June 1962)
PERCENTAGE INCREASE	6.9	12.9	5.7	10	

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ESTIMATED INVENTORY SOVIET FISHING FLEET

	1962	1965
Trawlers	2,965	3,585
Seiners	2,732	3,236
Other	14,836	17,815
Total	20,533	24,636

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****USSR SUSPENDS INCOME TAX CUT**

Moscow's suspension of its program for gradually abolishing income taxes is another setback for the Soviet consumer. This decision--announced on 24 September--apparently stems from a desire to restrict purchasing power, which has recently been growing out of proportion to the amount of consumer goods and services available.

In an effort to justify this unpopular move, the announcement blames "the increasingly aggressive actions of imperialism." However, the step in itself does not indicate that the USSR is planning any diversion of resources to strengthen its strategic forces. The additional funds accruing to the state will represent only a small portion of total revenue. Like the recent increase in the price of meat and butter, the latest move suggests that the Soviet leadership is pressed to meet simultaneous demands for resources from various sectors of the economy, such as industrial technology, housing, and agriculture, as well as the program for space and new weapons.

The program for abolishing income taxes--which average about 7 percent of personal income--was announced by Khrushchev in May 1960. It began in October of that year with the lowest income group, and was to be applied to a progressively higher income group each October thereafter until all income tax payments were eliminated in 1965. Thus far the program is about one-tenth completed and applies to those earning less than 70 rubles per month.

When completed the program would have been of significant benefit to almost all Soviet wage earners. The gain for the higher income groups, however, would have been small.

Their wages were to be adjusted downward by all or part of the tax remission in order to narrow income differentials.

The tax elimination program was one of several measures adopted during the last several years to boost the economy by providing Soviet workers with greater incentives in the form of wage increases, more leisure time, and more consumer goods. Throughout this period total personal incomes have advanced at a rather rapid rate, but production of consumer goods has not kept pace. This is partly because of agricultural lags but also because Moscow has failed to give adequate support for the development of light industry. Much of what is produced is of such poor quality, moreover, that the consumers are reluctant to buy it.

The resulting "inflationary gap" is evidently viewed with considerable concern by Moscow. While excess purchasing power in a controlled economy cannot operate on a broad front to boost prices, it does represent funds over which the regime lacks control. It encourages speculation and black marketing, results in hoarding of currency, and raises prices in the important collective farm market where supply and demand still operate to set prices. Finally, it represents incipient pressure on the regime to satisfy more adequately consumer demands.

The step announced on 24 September is only a partial solution to the inflation problem. Other ways of coping with the problem are compulsory bond purchases, limits on wage increases and bonus payments, and increased prices on consumer goods.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****EAST GERMAN EFFORTS TO ALLEVIATE FOOD SHORTAGE**

The GDR has acknowledged that this year's meat and dairy product plans are not being fulfilled. In a communiqué of 18 September, it admitted that the "difficult" fodder situation and the transition to cooperative cattle farming had led to a reduction in pig and cattle numbers and in milk yields. Production of meat, it said, had "substantially diminished" in the weeks before the harvest.

Statistics on "excessive cattle losses" were not given in the communiqué. However, cattle mortality rates in at least one district--Frankfurt/Oder--reportedly are of "alarming proportions." Premature slaughtering of cattle to satisfy immediate food needs have further diminished livestock numbers. The communiqué calls for an improvement in cattle husbandry and for increased efforts for "fattening up pigs in a shorter time."

Regime spokesmen stated earlier this year that there would be no above-plan imports of meat. The regime admitted in the 18 September communiqué, however, that it has imported "supplementary meat supplies during recent months." It did not say where the additional meat imports had originated, but Uruguay announced in June that it had shipped 2,000 tons of meat worth \$820,000 directly to East Germany--a departure from that country's usual procedure of selling meat to the GDR through middlemen, usually West Germany. The East German Ministry for Foreign and Domestic Trade reportedly announced, following its minister's trip to Brazil in August, that supplementary meat imports were to be procured from South America.

West Germany delivered food worth \$16,250,000 to East Germany in the first half of 1962, as much as in all of 1961. The West Germans also agreed not to object to a suspension of East German deliveries of pork. In

June, the East German State Monopoly for Foods reportedly was purchasing fish from Norway in small lots as foreign exchange became available. Foreign exchange difficulties may have precluded other purchases from Western countries. East German planners reportedly requested in June that the food import plan be altered to allow for more purchases from Western countries.

The 18 September communiqué called for a return to rearing swine and poultry on private plots, although this involves some retreat from collectivization goals. It criticized severely civil servants, pensioners, and others who have stopped raising their own swine. The regime may decide to grant incentives for the private rearing of swine and poultry. Agricultural specialists reportedly believe that credit incentives will be granted to workers on agricultural cooperative farms in order to encourage increased production.

Other steps taken this year to improve food production include an increase in prices to be paid to producers of pigs and potatoes. Every city in the GDR allegedly is to establish hog farms. Feed for the hogs will come from residents' food reserves and from table scraps.

The measures to alleviate meat shortages indicate that the regime continues to be concerned with holding popular dissatisfaction to a minimum. Importation of meat is designed to maintain current consumption levels. Although price incentives may induce farmers to bring livestock to heavier weights before slaughter, they do not solve the problem of food shortages and a decline of livestock numbers. Any significant improvement in meat supplies will depend on an increase in animals available for slaughter, which is not expected in the 1962-63 consumption year.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SINO-SOVIET RELATIONS**

Soviet president Brezhnev's visit to Yugoslavia has sparked a new burst of Chinese invective against "Yugoslav revisionism." In a front-page editorial of People's Daily on 17 September, the Chinese reverted to the level of acrimony that had been employed at the height of the Sino-Soviet controversy.

The Chinese maintained their characteristic restraint about mentioning Khrushchev explicitly, but their criticisms of the Soviet leader were only thinly veiled. They flatly rejected his description of Yugoslavia as socialist. Yugoslavia, the editorial insisted, "has ceased to be a socialist country."

Some of the most acid paragraphs of the editorial attacked Tito's views on economic cooperation between East and West. This subject hit a raw nerve of the Chinese. Peiping holds observer status in the bloc's Council for Mutual Economic Assistance (CEMA), but its participation in CEMA meetings has been waning steadily. The Chinese therefore felt further isolated by Moscow's agreement in July to consider Yugoslavia's participation in some CEMA subcommittee meetings, and by Khrushchev's suggestions in the September World Marxist Review of the possibility of cooperation between CEMA and the Common Market.

In its treatment of the Brezhnev visit, Moscow is making it clear to the Communist world that it will not allow Peiping's attacks on the Tito regime to block a rapprochement with Yugoslavia. Pravda articles on 23 and 24 September asserted that the USSR's "cooperation"

with Belgrade will "benefit all countries building socialism and communism." The Soviet press stresses that "fraternal" Yugoslavia is "building socialism."

Peiping still feels that it can discredit Moscow's policy in important Communist quarters and is perhaps still hopeful of rallying an effective resistance. However, Moscow's ability to muster majorities was again brought home to the Chinese at the meetings of the World Federation of Scientific Workers in Moscow from 13 to 15 September. The Chinese proposed a resolution incorporating Peiping's hard-line formulations on imperialism and national liberation movements. These formulations were not accepted; on 21 September Peiping broadcast its account of the proceedings and disclosed that its delegation had refused to take part in the final vote on the resolution.

Gromyko's visit to Yugoslavia in April did not occasion the display of acrimony which has attended Brezhnev's visit. In the intervening period, there was apparently a breakdown of behind-the-scenes negotiations between the Chinese and the Soviets, and Peiping may once again feel its position to be endangered by Moscow's pressure tactics. This apprehension was suggested by Foreign Minister Chen Yi on three recent occasions when he dilated on the theme of equality within the bloc and on the importance of noninterference by bloc members in each other's internal affairs.

Khrushchev's personal culpability, which the Chinese treat

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by innuendo, was detailed explicitly by the Albanians in a Zeri I Popullit article on 19 and 20 September. The Soviet leader was cited as advocating economic cooperation with the Common Market, and he was charged with planning economic and political integration with the West. The Albanians also leveled the new indictment that he had furnished arms for India's "armed provocations" against China.

The timing and nature of the Albanian article suggest that Tirana and Peiping coordinated their decision to resume attacks on Moscow. Although the Albanians occasionally have attacked Khrushchev by name since mid-July, they had in general abstained from explicit criticism of Soviet policies since April, at the time when Sino-Soviet party negotiations apparently were in progress.

Although Yugoslavia is treating the Brezhnev visit as a state affair, both sides apparently intend to explore the possibility of restoring some form of party contacts. Yuri Andropov, the Soviet central committee's liaison man with other Communist parties, is a member of the delegation; he has no important state posts. Vice President Aleksander Rankovic, who is also Tito's heir apparent in the Yugoslav party, will accompany the Soviet delegation on its travels.

The Brezhnev visit could also pave the way for renewed

Yugoslav relations with some satellite parties.

Tito is not sanguine about improved relations with the harder line satellite parties. Belgrade resents the lack of substantial improvement in Yugoslav-Bulgarian relations following Khrushchev's visit to Sofia last May, and has publicly accused segments of the Bulgarian party with opposing Soviet-Yugoslav rapprochement. Tito probably feels, however, that the Brezhnev visit can be used to good advantage to weaken the position of his Stalinist opponents in East Europe.

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INDUSTRIAL DIFFICULTIES CONTINUE IN COMMUNIST CHINA

The decline in industrial output in Communist China apparently continued through the first half of 1962 and may not yet have reached bottom. Retrenchment has been especially marked in heavy industry, which has had low priority since the collapse of the "leap forward." Less is known about the production status of such sectors as consumer goods and machinery and chemicals for agriculture. They are known to have been given priority for labor and materials, and their production may not have declined significantly.

The regime, although withholding details, has admitted since midyear that difficulties in industry persist. In an article in the 1 July issue of Red Flag, the chairman of the State Economic Commission said that production in the extractive industries was erratic and below normal. He specifically cited coal, nonferrous metals, and petroleum, and said that shortages in those industries were affecting production in the metallurgical, chemical, and power industries.

As recently as 1 September Red Flag complained of conditions not in keeping with production requirements which lead to "temporary difficulties." The journal implied there is no immediate prospect of an increase in industrial production.

Elsewhere the Chinese Communist press has linked the industrial program to agriculture, and indicated that there will be no attempt to resume rapid economic growth in other sectors of the economy until agriculture has been "rehabilitated and expanded." This could mean a protracted slump in industry.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****UN SECURITY COUNCIL ELECTIONS**

Elections to the UN Security Council--usually held in the General Assembly shortly after three weeks of general debate--will reflect this year the strong Afro-Asian drive for reallocation of the six elective seats.

These six seats have generally been allocated according to a "gentlemen's agreement" in 1945 assigning one each to Eastern Europe, the Commonwealth, Western Europe, and the Near East and two to Latin America. Distribution at that time was based on the comparative voting strengths of the General Assembly membership. Although UN members still pay lip service to the agreement, since 1952 the Eastern European seat has frequently been occupied by a Near Eastern or Asian representative or, when a voting deadlock developed, has been divided into one-year terms for each contestant. In 1961 Liberia occupied Western Europe's seat in a split term with Ireland.

The Western European, Near Eastern, and one Latin American seat are up for election this year. Morocco will probably succeed the UAR in the Near Eastern seat, and Brazil seems assured of the Latin American vacancy. Nigeria is making a strong bid for the Western European seat, and is thus jeopardizing Norway's chances for a full two-year term.

Norway and Morocco have made a deal which enhances Morocco's prospects for election. Rabat promised to deliver 15 Arab votes to Oslo in exchange for 15 Western votes. As for Norway, however, Nigeria's public challenge will probably lead to protracted balloting giving neither country the necessary two-thirds majority. In this case, the best the West could expect is a split term between the two. There is the possibility that

a prolonged deadlock could lead to the emergence of a dark-horse candidate--possibly Guinea--even less palatable to the West than Nigeria.

The Afro-Asian drive for reallocation of the six elective seats on the Security Council gained considerable momentum at the 16th session of the General Assembly under the leadership of Jaja Wachuku of Nigeria. The fact that only one seat is firmly allocated for an area which now has 42 UN members gives considerable impetus to Afro-Asian efforts to get another seat at the expense of Western Europe and Latin America.

Efforts to increase the membership of the Security Council to take into account the increased membership of the UN have failed because the USSR has flatly refused to concur in any charter amendment designed to enlarge UN bodies until Peiping occupies China's permanent seat on the Security Council. Any revision or amendment to the charter is subject to the veto. UN members are now exploring privately the possibility of reaching some agreement on reallocating the six elective seats.

One proposal being discussed would involve shifting the Commonwealth seat to Africa and the Eastern European seat to Asia. However, this proposal seems doomed because of the reluctance of Commonwealth members to relinquish their seat, the interest on the part of Latin Americans and some Western Europeans in maintaining the "gentlemen's agreement," and the hesitancy of many Afro-Asians to put pressure on the USSR by depriving Eastern Europe of its seat.

It seems likely that until the USSR agrees to increasing the membership of UN bodies, Afro-Asian attempts to get a seat on the Security Council will be at the expense of Western Europe and later Latin America.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CONGO**

Political maneuvering in the Congo is centering increasingly on the constitution being drafted by UN experts in Leopoldville. Tshombé is still demanding that the UN experts consult with him before completing their draft. He has repeatedly insisted that his agreement on the whole range of issues involved in the UN conciliation plan hinges on formulating a constitution that would provide for a considerable measure of provincial autonomy.

Adoula, still plagued by fears that any such special consideration of Katangan views would further weaken his own political position, is persisting in his refusal to allow the experts to confer with Tshombé. Belgian Foreign Minister Spaak has warned that if Adoula sticks to this position, Tshombé will have a plausible excuse to refuse to move ahead on financial and military integration.

Even should Adoula reach agreement with Tshombé on the constitution, it is becoming increasingly clear that the premier faces a critical test if and when he presents the document to parliament. Lumumba's old party has come out against both the UN plan and the concept of a constitution along federal lines--Tshombé's requirement.

The Congo's present constitution requires a two-thirds vote to institute a new constitution, both on the document as a whole and on each of its articles. The draft contains over 200 articles. When parliament last met in July, the Lumumbists, Tshombe's

Conakat party, and other dissidents were able to block Adoula from winning even a majority of the total seats for his reorganized government.

Tshombe, meanwhile, has appointed his representatives to three joint Leopoldville-Katanga commissions, and meetings have begun. However, he has already charged that the UN experts are not acting as neutrals 25X1

Katangan foreign minister Kimba has stated that Katanga did not agree to a 50-50 split of its revenues, and that it could surrender to the central government only the foreign exchange not needed in Katanga. He said also that Katangan representatives on the military commission were balking. Such statements do not suggest an easy solution of the issues involved.

UN officials in New York are beginning to express pessimism that Tshombé will implement the UN plan unless he is pressured to do so. Adoula remains highly skeptical the UN will ever be able to bring Tshombé around.

Military movements and fighting in northern Katanga have been limited, but the situation there may be building up to a serious outbreak. There is evidence that Tshombé's forces are growing. 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****YEMEN**

Elements in Yemen opposed to the monarchy have taken advantage of the unstable situation resulting from the death of Imam Ahmad on 19 September to revolt against his successor, Imam Mohammed Badr. On 27 September, the rebels took control of Sana radio, announced they had "got rid" of Badr, and pro-claimed a "free Yemeni republic." The rebels are led by military officers. Their movement apparently includes adherents of the "Free Yemeni Movement" and other pro-Nasir elements.

On 27 September the rebels apparently controlled at least Sana, the largest city and northern capital. Sana radio claims to have received cables of support from leaders in the cities of Hodayda and Taiz.

The royal family's main support has always come from the conservative tribes located outside of the cities. These tribes might rally for a counter-move, particularly if called upon to do so by Prince Hasan, the brother of the late Imam. Hasan, however, is now in New York as head of the Yemeni UN delegation and thus not in a position to act swiftly. He presumably would have the backing of King Saud, who, since the death of Imam Ahmad, has feared a pro-Egyptian coup in Yemen.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FINLAND**

Finnish President Kekkonen leaves on 3 October for what officials in Helsinki describe as a 10-day holiday in the Soviet Union. The visit, his second to the USSR within a year, is being made at the invitation of Premier Khrushchev. Kekkonen may use the opportunity to discuss with Soviet officials such matters as the German treaty question and Finland's desire for a tie with the Common Market.

Finnish economic interests are outspoken in their belief that Finland must reach an understanding with the Common Market, but the government has not yet made any formal move, fearing Soviet reaction to any steps toward closer cooperation with the West. It is also awaiting the outcome of applications by the other three neutrals for associate membership.

Kekkonen can be expected to attempt to persuade the Soviets that Finland must have a link--even an indirect one--with the Six, or Finland's export trade, which accounts for about one fourth of its GNP, will face grave difficulties. He is probably somewhat encouraged by Moscow's relatively moderate reaction thus far to Austria's application for association.

With regard to the German problem, Finnish officials fear the Soviet Union intends to involve Finland in any unilateral action it may take to force a solution. Despite its status as a co-belligerent with Germany during World War II, Finland would probably be invited to attend any conference Moscow might convene to conclude an East German peace treaty. It is problematical whether Finland could decline.

The Finns vividly remember Moscow's action of last October when it took advantage of the Berlin crisis to invoke the 1948 treaty of friendship and mutual assistance and requested military consultations on the ground that Finland and the USSR were threatened with attack by West Germany

and NATO. It seems likely that this step was also taken to influence the Finnish presidential elections scheduled for early 1962. Kekkonen's personal intervention with Khrushchev, who then withdrew his demands, reinforced the Finnish leader's political position. However, the Soviet demands remain in reserve for use against Finland and its Scandinavian neighbors.

Kekkonen apparently also views this visit as an opportunity to act as an interlocutor between East and West. He told the US ambassador recently that, since he will pay France a state visit almost immediately afterward, he will be able to give De Gaulle his impressions of Khrushchev's current attitudes.

On the domestic scene the governing four-party coalition faces a period of increasing tension which might eventually force a reorganization of the cabinet. The three smaller parties have been particularly restive over what they consider their inferior status in the coalition and the tendency of the Agrarians, backed by Kekkonen, to dominate the government completely.

This was brought out in the parliamentary debate last week on the recently negotiated agreement leasing the Soviet portion of the Saimaa Canal for 50 years. The smaller parties expressed dissatisfaction with what they regard as the unfavorable terms obtained by the government and they accuse the Agrarians of sidetracking Parliament and not informing pertinent committees during key phases of the negotiations. Kekkonen reportedly is angered by these charges, maintaining that the agreement has political implications and could be a step toward regaining some of the territory lost to the USSR after World War II.

The stability of the government will be further tested in the wage negotiations this fall. The two trade-union representatives in the cabinet face a difficult choice between the government's policy of holding wage rises to a minimum and the current demands of the central trade-union organization with its large Communist representation.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEST BERLIN MORALE**

West Berliners have calmed down since the 17-20 August riots against the Wall, encouraged by the tactical Allied success in excluding Soviet armored personnel carriers from West Berlin. The popular mood remains volatile, however, and further eruptions might be set off by new sensational refugee incidents or additional Communist successes. A basic source of instability stems from the refusal of West Berliners to accept the division of the city as final. They are also confused by Western insistence on maintaining the theory of four-power status in Berlin while in practice allowing many aspects of this status to lapse.

In the face of criticism both from West Germany and the Allies, Mayor Brandt has taken pains since the demonstrations to emphasize the distinction between the basic four-power agreements, which concern Greater Berlin, and the actual responsibilities and guarantees of the three Western Allies for West Berlin. His objective is to convince both the Berlin public and the press that hatred of the Wall should not obscure the more important question of the survival and welfare of West Berlin.

Insofar as Brandt is able to persuade the Berliners to understand and accept the "realities" of the present situation, the danger of renewed emotional outbursts against the Allies and the city authorities may be correspondingly reduced. Brandt claims to have made progress along these lines with the West Berliners and says there is full agreement between the coalition partners--his Social Democratic Party and the Christian Democratic Union--in the city government. Precautionary police measures have been taken to contain possible future flare-ups.

Brandt maintains that anti-Americanism is almost nonexistent

in West Berlin. Its apparent manifestations on 18 and 19 August came from frustration over apparent Western inaction against Communist brutality as well as the inability of the demonstrators to vent their wrath directly on the East German police. Brandt has on occasion --perhaps with a view to the impending city elections--criticized the Americans for not helping the refugee, Peter Fechter, whose death at the Wall set off the riots, but he has also condemned in strongest terms the rowdies who resorted to violence. He faces a continuing dilemma in the political need to identify himself with the Berliners' feelings of resentment while at the same time having to testify to Allied dependability on the basic essentials of West Berlin's security.

Meanwhile, West Berlin's economy continues to operate at about the same high level as in 1961, with some signs of a fall pickup sufficient to push the fourth-quarter figures above last year's. During the first half of 1962 those leaving West Berlin outnumbered those arriving by only 1,300, and the net population decline totaled 8,500.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****THE FRENCH POLITICAL SCENE**

De Gaulle's proposal to call a referendum to permit direct election of the French president has aroused general parliamentary opposition. Few members of parliament want to give up their privileged position in the electoral college of "notables" which now chooses the president. For public consumption, however, they say they object to De Gaulle's arbitrary insistence on a referendum in disregard of parliament's role in revision of the constitution.

Party leaders are weighing the desirability of a censure motion on the issue when parliament reconvenes on 2 October. Most deputies are reluctant, however, to take a public stand against the principle of an elective president, because the idea has broad popular backing. A member of De Gaulle's cabinet has told US Ambassador Gavin that he expects the parties to resign themselves to the prospective constitutional change. He expects them to work discreetly to discourage a massive affirmative vote in the referendum, but to save their fire for the National Assembly elections in the spring, when the political climate may be less favorable to the government.

Meanwhile, in the new session of parliament, De Gaulle's opponents will probably turn increasingly to issues more exploitable than the presidential referendum. These include the discontent among farmers, labor, and small shopkeepers, and the Algerian refugee problem.

The continuing demonstrations by farmers are a result of the strains French agriculture is undergoing in the process of adjusting to mechanized production methods. Increasing operating costs have led to heavy indebtedness for many small producers, who collectively operate over half the farms in France. This group demands a distribution system that will bring the producer closer to

the consumer, and it wants tax privileges for cooperatives. Above all, it wants a reform of property laws to give security of tenure, to prohibit purchase of land by nonfarmers, and to provide aid for efficient small producers in land acquisition.

Although Agriculture Minister Pisani recently steered through parliament a law designed to meet many of these demands, the government will continue under strong pressure until the farmers are satisfied that the implementing decrees will be adequate and strictly enforced.

Continuing labor unrest owing to the decline in real wages over the past year is also likely to have parliamentary repercussions. The government has scheduled a round-table conference with union and management representatives on national income policy, but unions fear that this will impair their collective bargaining rights. They want immediate action to make up for recent price rises and to take advantage of the bargaining leverage of a labor shortage which is already being eased. Union demands are likely to gather support in the Assembly, particularly if the government's measures fail to avert a further round of strikes this winter.

An additional problem which may soon be politically exploitable is developing as a result of the merchandising revolution now taking place in France. The first few units of a 50-store chain selling ready-made clothing at 30 percent below current prices have just been opened. Many of the small shopkeepers directly affected by supermarket competition are unable or unwilling to enter industry, and they will turn for support to agitators of the extreme right-wing Poujadist group.

The problems of permanently accommodating the European refugees

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

from Algeria now in France--estimated at 600,000 to 700,000 persons--have yet to be solved. Foreign Minister Couve de Murville is pessimistic about the chances of persuading any appreciable number to return to Algeria. Paris is concerned not only about the cost of resettling the refugees, but also about their potential as a political force and as a base of

support for extremist action against the government. While the "keep Algeria French" movement has lost virtually all support, the Algerian episode has left behind a residue of bitterness in the National Assembly which will probably be channeled into exploiting any issue the refugee problem may develop.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****ARGENTINA**

Last week's power struggle among Argentina's politically minded generals ended in victory for the "legalist" faction which supports a prompt return to democratic government and a policy of moderation toward Peronists. President Guido has moved promptly to purge the "hard-line" army and navy leaders whose puppet he had been since they gained ascendancy in the August crisis.

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Guido's new cabinet, largely composed of individuals who have not been politically prominent recently, is heavily weighted toward supporters of civilian democratic rule. Minister of Economy Alsogaray, strongest member of Guido's previous cabinet and a key figure in the country's efforts to achieve economic stability, has been retained and is emerging as the strong man of the regime. General Carlos Ongania, leader of the victorious Campo de Mayo faction, has been appointed commander in chief of the armed forces. Retired general Benjamin Rattenback, a staunch supporter of constitutionality, has been appointed secretary of war.

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A presidential communiqué announced that a joint command consisting of the three service secretaries, with Chief of Staff Lorio as its commander, had been established for the repression of the Campo de Mayo "rebels." The air force withdrew from the joint command and declared its neutrality. Its commander, Brigadier Cayo Alsina, announced that the air combat unit would not join in repression of the Campo de Mayo forces. The navy remained "neutral," although high-ranking admirals were in support of the "hard-line" faction.

A war of ultimata and communiqués followed while each

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

faction gathered support from the interior. A series of meetings between the two factions and attempts at mediation by influential business leaders failed to resolve the crisis.

As it became evident that military superiority generally favored the Campo de Mayo faction, President Guido dismissed Labayru, Lorio, and Cornejo Saravia and ordered all troops to return to their barracks.

After several meetings during the night of 21 September, the navy's council of admirals issued a communiqué holding President Guido personally responsible for the fighting between the two army factions and accused him of being responsible for "a premeditated plan to provoke general chaos and to deliver the country into whatever kind of communism or extremism." The council of admirals then called for the formation of a committee of high-ranking military officers who would then be charged with the establishment of a military junta.

A later navy communiqué announced that President Guido had resigned in favor of the junta. A presidential communiqué later denied the naval announcement.

General Ongania refused to participate in the navy-sponsored meeting, and fighting between the two factions erupted shortly thereafter. In the early afternoon of 22 September

the air force actively entered into the conflict by strafing concentrations of forces under the command of Generals Lorio and Labayru in the capital. Sporadic fighting in the capital continued but, by late Saturday night, fighting had ceased and the Lorio-Labayru faction had surrendered to Ongania forces.

Guido's chances of avoiding a resurgence of military feuding depend on his success--in conjunction with the military leaders who support, and probably control, him--in stabilizing the situation. The navy's failure to improve its position in the last crisis through poor strategy and untimely criticism of Guido's performance, as well as its well-known hard-line attitude toward the Peronists, makes it a potential factor for instability in the present regime.

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Guido must also keep the Peronists under control without provoking them to action, and he must deal forthwith with Argentina's critical economic situation if he hopes to remain in power until elections are held.

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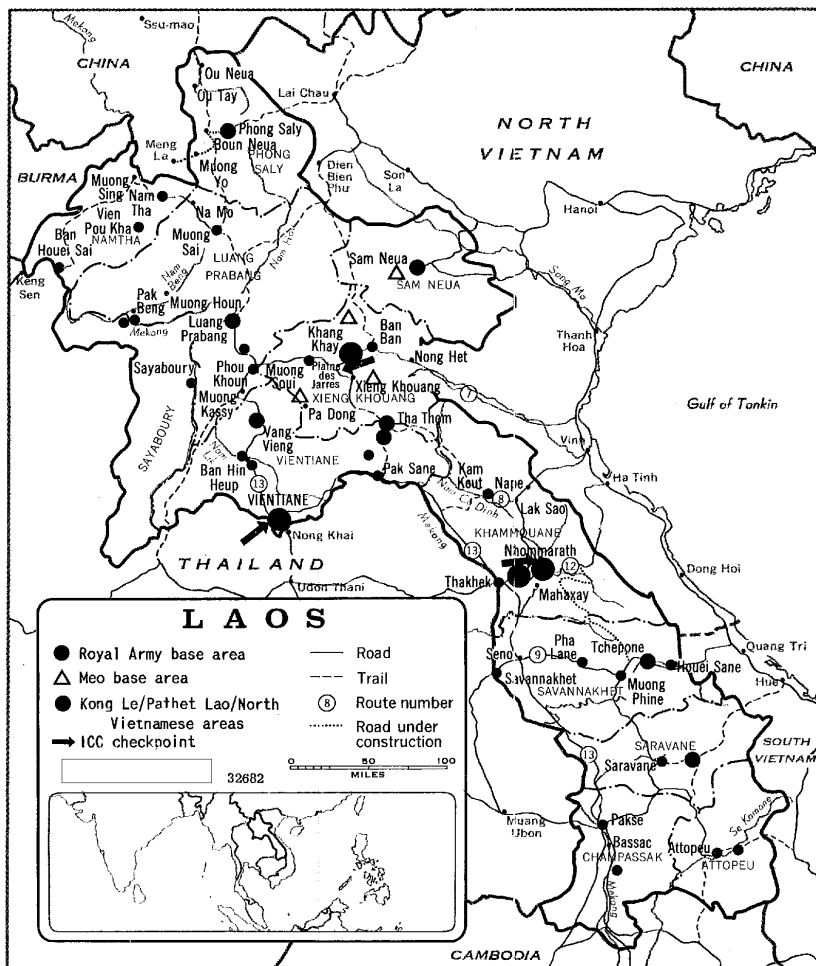
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****SPECIAL ARTICLES****CONTINUED NORTH VIETNAMESE PRESENCE IN LAOS**

A key provision of the Geneva agreements on the neutrality of Laos stipulates that all foreign military personnel be evacuated. Withdrawal is to be completed by 7 October through checkpoints designated by the Laotian Government. There is increasing evidence that the North Vietnamese are circumventing this provision and are making preparations to retain some forces in Laos.

The North Vietnamese had an estimated 9,000 to 10,000 troops and military technicians

in Laos when the Laotian neutrality agreements were signed at Geneva on 23 July. Hanoi, however, has consistently denied having any combat troops in Laos.

To date, 15 North Vietnamese technicians have left Laos in the manner specified in the agreements. The North Vietnamese, however, have been covertly moving their troops from certain positions in the north and central portions of Laos. Generally, these positions are near or shared with neutralist troops.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

and are not strategically significant to the defense of Pathet Lao redoubts or the corridor to South Vietnam. These moves seem intended to provide a display of compliance with the Geneva withdrawal provisions for the neutralists' benefit and to prevent verification of North Vietnamese military presence in Laos after the 7 October deadline.

There is little doubt that some of these North Vietnamese troops have actually returned to North Vietnam. Others, however, appear to have withdrawn no farther than Pathet Lao territory. Souvanna Phouma has admitted to the US ambassador his awareness of North Vietnamese plans to conceal themselves among the Pathet Lao and has cited Sam Neua and Khammouane provinces together with the Tchepone region as "problem areas." Although Souvanna has promised to demand a prompt investigation by the International Control Commission (ICC) if any North Vietnamese troops remain after 7 October, it is doubtful that he would actually press an investigation in the face of the Pathet Lao's probable strong opposition.

Withdrawals and Concealments

There are indications that some North Vietnamese troops have been withdrawn from the Nam Tha - Muong Sai area of northwest Laos. However, there are continued reports of North Vietnamese troops in this area.

There has been little to indicate that any North Vietnamese troops have withdrawn from the Pathet Lao stronghold of Sam Neua Province of northeast Laos. Through August, Meo guerrilla

units in Sam Neua and Xieng Khouang provinces reported they were under heavy attack by combined North Vietnamese and Pathet Lao forces.

North Vietnamese technicians and support personnel apparently have been departing the Plaine des Jarres for several months. There are also some indications that withdrawing troops have been moved through the airfield at Phongsavan, which is on the Plaine des Jarres.

[redacted] North Vietnamese are concealed along Route 7 between Ban Ban and the North Vietnamese border, dispersed among Pathet Lao forces.

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The area around Nhommarath is the only portion of central Laos from which North Vietnamese troops have clearly withdrawn. Five North Vietnamese technicians have been scheduled to leave the town in a show withdrawal for the ICC's benefit.

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There is virtually no evidence that any North Vietnamese have withdrawn from Tchepone or from the corridor area farther south in Laos. Some 200 North Vietnamese stationed at the Tchepone airfield reportedly changed to Pathet Lao uniforms in mid-August.

Revised Order of Battle

Two, possibly three, of the eleven North Vietnamese battalions previously estimated to be in Laos have probably withdrawn completely (1,000-1,500 men). On the basis of all available evidence, it would appear that

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

one battalion has left the Nhommarath area and that another --composed of personnel from the Plaine des Jarres, Vang Vieng, and Tha Thom areas--has also departed. It is possible that a third battalion may have been withdrawn from the Muong Sai - Nam Tha area. Personnel from other combat units probably have been withdrawn on an individual basis.

It now appears that some, if not all, North Vietnamese combat units remaining in Laos are being fragmented into cadre groups and integrated with the Pathet Lao. Thus, North Vietnamese units in Laos may lose their individual identity within a few weeks. Between 4,000 and 5,000 North Vietnamese military technicians and instructors were estimated to be in Laos, assigned to neutralist and Pathet Lao units and to various support functions. Of these, as many as 1,000 may have departed.

Closure of Pathet Lao Areas

Souphannouvong on 14 September privately admitted to a US official that "some" North Vietnamese were still in Laos but said that all of them would be withdrawn "before the end of this month." Effective non-Communist surveillance of Pathet Lao areas, however, is being prevented by Pathet Lao elements in the coalition government, including Souphannouvong himself. Souphannouvong, maintaining his public position that no foreign troops are with his forces, has consistently refused to name any locations in Pathet Lao territory where the ICC could establish checkpoints to verify the withdrawal of foreign troops. He has agreed only to an ICC checkpoint at Nhommarath--where North Vietnamese troops have already completed their withdrawal.

Souvanna Phouma, in his capacity as premier of the coalition government, also has been denied access to such Communist strongholds as Sam Neua and Tchepone. Souvanna has had to obtain Souphannouvong's permission to travel anywhere in Laos not under General Phoumi's control and so far has been permitted to go only to the Plaine des Jarres. Souphannouvong has refused to discuss with Souvanna and Phoumi the matter of free access to all parts of Laos, claiming his area was already neutral.

Corridor to South Vietnam

Overland access to South Vietnam is essential for Hanoi's prosecution of the war against President Diem, and there are no indications that this war is being downgraded. While some men and materiel reach the Viet Cong by sea and some through the demilitarized zone that divides Vietnam at the 17th parallel, the testimony of Viet Cong prisoners and documents captured over the past two years point clearly to the Laos corridor as the main artery to North Vietnam.

Through this corridor an estimated 800-1,000 infiltrators went to South Vietnam in May. In June the number was estimated at 800. The scarcity of information on infiltration received since the end of July suggests that infiltration is down from the levels of May and June. However, the logistics value of the corridor is undiminished, and the North Vietnamese clearly intend to maintain control of this important supply route to the Viet Cong.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****OIL DEVELOPMENT IN LIBYA**

Libya's emergence as an oil exporting nation has been accompanied by a major oil boom with rapid expansion of both production and delivery facilities. Production, which began in late 1961, is already estimated at more than 300,000 barrels per day, about one quarter of Iran's rate. More than twenty oil companies now are engaged in exploration, and over 80,000 square miles of geologically promising territory recently was made available for new concessions. Oil industry sources estimate Libyan reserves at between 20 and 40 billion barrels.

The first major producing area was the Zelten field, developed by the American Esso Company. It is connected to the company's Mediterranean terminal by a 30-inch pipeline 100 miles long. Other important producing fields have been developed by another American company, Oasis Oil, which also has laid a 30-inch pipeline to the sea. All of the early concessionaires have made oil strikes.

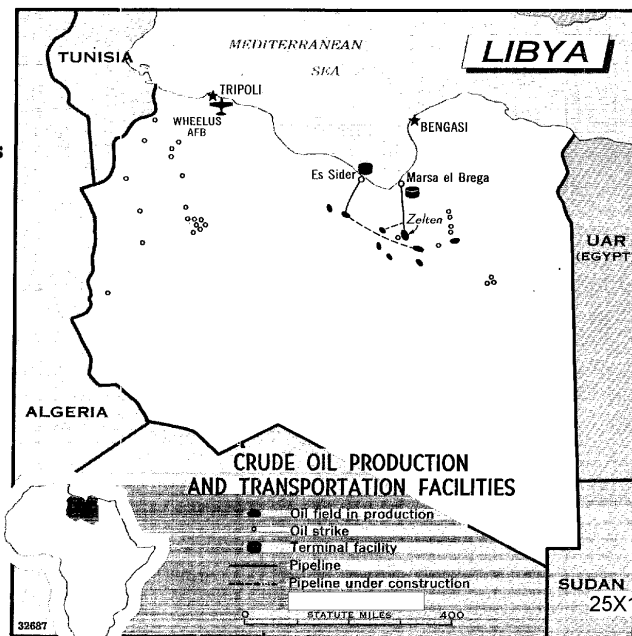
Libya thus is able to export significant quantities of oil and has excellent prospects of expanding its crude production. The main problem now is to gain access to established markets at a time when world production is running ahead of demand. This problem may not be serious, however. For markets in Europe and North America, Libya has a substantial cost advantage over exporting countries located east of the Suez Canal. Several of Libya's producers, moreover, have assured outlets in Western Europe and the US.

OPEC Membership

Libya's rather sudden adherence to the Organization of Petroleum Exporting Countries

caused some apprehension among oil company officers. The OPEC, which includes all the major Middle East exporters, plus Venezuela, is trying to increase oil revenues for its members by a variety of means. All of these run counter to the interests of the major oil companies--production increases, larger shares of crude sales revenue, higher posted prices, greater host-country participation in refinery and marketing arrangements, and increases in taxes and other fees.

However, relations between the Libyan Government and the companies are unlikely to be seriously disturbed in the near future as a result of Libya's OPEC membership. The country is sparsely populated and, with a pastoral economy, has no significant source of export earnings other than oil. Before becoming embroiled with the companies, moreover, Libya would need time to establish its position in the world market and to develop alternate sources of revenue.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**Economic Development

Unburdened with the massive government deficits of such other producers as Iran and Venezuela, Libya can devote relatively more of its oil revenues to developmental investment. Its petroleum laws, in fact, provide that most of these revenues be distributed according to a formula allotting 70 percent for development purposes, 15 percent to the federal government, and 15 percent to the province "from which the oil was extracted." It is estimated that total revenues in the calendar year 1962 will be between 35 and 40 million dollars, and they will probably reach \$65-70 million in 1963.

The government, however, has been slow in producing a development plan. Throughout 1961 and early 1962, the Development Council charged with drawing up the plan was plagued by mismanagement. Last July its chairman was dismissed, and

the council itself was placed under a new Ministry of Development.

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With technical assistance being provided by the World Bank, it now appears likely that a start toward a development program is being made.

US Base Rights

The rapid economic development which is likely to be generated by the oil boom will undoubtedly bring fundamental political and social changes as well. Arab nationalism, slow in reaching Libya, now is on the rise. It can be expected that when Libya no longer has a pressing need for US economic aid--long associated in the Libyan mind with US base rights at Wheelus Field--pressure will be exerted on the US to give up the base or radically modify its status.

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